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800. INTRODUCTION TO THE NURSING FACILITY COST REPORT

The Annual Nursing Facility Cost Report provides for the submission of cost and statistical data used in rate setting and in reporting to various governmental and private agencies. All required information is pertinent and shall be submitted as accurately as possible.

In general, costs must be reported as they appear in the provider's accounting records. Schedules are provided for any adjustments or reclassifications that are necessary.

In the cost finding process, direct costing shall be used wherever possible. If direct costing is utilized, it shall be utilized, if possible, for all costs of a similar nature. Direct costing shall not be utilized on a selective basis in order to distort the cost finding process.

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801. SCHEDULE A - CERTIFICATION AND OTHER DATA:

This schedule is to be completed by all facilities.

A. TYPE OF CONTROL. In Sections 1 through 3 indicate as appropriate the ownership or auspices under which the facility operates.

B. Section B is provided to show whether the amount of costs to be reimbursed by the Program includes costs resulting from services, facilities, and supplies furnished to the vendor by organizations related to the vendor by common ownership or control.

Section B shall be completed by all vendors.

C. Section C shall be completed when the answer in Part B is yes. The amount reported in Section C shall agree to the facility's books.

D. Section D shall be completed when the answer in Part B is yes.

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- E. Section E is provided to show the total compensation paid for the period to sole proprietors, partners, and corporation officers, as owner(s) of Certified Nursing Facilities. Compensation is defined in the Principles of Reimbursement as the total benefit received (or receivable) by the owner for the services he renders to the institution. It includes salary amount paid for managerial, administrative, professional and other services; amounts paid by the institution for the personal benefit of the owner; and the cost of the assets and services which the owner receives from the institution and deferred compensation.
- F. Section F is provided to show total compensation paid to each employed person(s) to perform duties as administrators and/or assistant administrators. List each administrator or assistant administrator who has been employed during the fiscal period. List the name, title, percent of customary work week devoted to business, percent of the fiscal period employed, and total compensation for the period.
- G. Section G shall be completed by all providers.
- H. Section H shall be completed by all providers.

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802. SCHEDULE B - STATEMENT OF INCOME AND EXPENSES:

If a facility has an income statement which provides the same detail as this schedule, this statement may be submitted in lieu of Schedule B. This schedule shall be prepared for the reporting period. During preparation, consideration shall be given to the following items.

- A. Line 1. The amount entered on this line shall be the gross charges for services rendered to patients before reductions for charity, bad debts, contractual allowances, etc.
- B. Line 2. Record total bad debts, charity allowances, contractual adjustments, etc., on this line. This line shall include the difference between amounts paid by the patient or 3rd party payor and the standard charge of the facility.
- C. Line 3. Subtract line 2 from line 1.

- D. Line 4. Enter total operating expenses from Schedule D-4, line 26, column 2.
- E. Line 5. Subtract line 4 from line 3.
- F. Lines 6a, 6b, 7a, and 7b. Complete these lines in accordance with the definitions of restricted and unrestricted as presented in the Principles of Reimbursement in this manual.
- G. Line 12. Include on this line rent received from the rental of portions of a facility to other related or non-related parties, i.e., the rental of space to a physician, etc.
- H. Line 14. Purchase discounts should be applied to the cost of the items to which they relate. However, if they are recorded in a separate account, the total of the discounts is entered on this line.
- I. Line 31. Total lines 6a through 30.

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- J. Lines 33-48. Enter amount of other expenses, including those incurred by the facility which do not relate to patient care.
- K. Line 49. Total lines 33 through 48.
- L. Line 50. Subtract line 49 from line 32.

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803. SCHEDULE C - BALANCE SHEET AND COMPUTATION OF EQUITY CAPITAL:

Non-profit facilities shall complete only column 1. Proprietary facilities must complete the entire schedule.

- A. Column 1. Enter the balance recorded in the facility's books of accounts at the end of the reporting period (accrual basis of accounting is required as indicated in the Principles of Reimbursement). Attachments may be used if the lines on the schedule are not sufficient. The capital accounts shown on lines 41 through 45, are those applicable to the type of business organization under which the provider operates as follows:

Individual Proprietor - Proprietor's Capital
Account

Partnership - Partner's Capital Accounts

Corporation - Capital Stock and Other Accounts

- B. Column 2. This column shall be used to show amounts of assets and liabilities included in a facility's balance sheet which do not relate to the provider of patient

care. Entries to this column shall be detailed on Schedule C-1. NOTE: It is not necessary to attempt to remove the portion of assets applicable to other levels of care on this schedule. Some examples of adjustments which may be required include:

1. Line 2 - Notes and Accounts Receivable. The notes and accounts receivable total to be entered in column 2 shall represent total amounts expected to be realized by the provider from non-patient care services.
2. Lines 11, 13, 15, 17, 19 - Fixed Assets. The amounts to be entered in column 2 shall be based on the historical cost of those assets, or in the case of donated assets, the fair market value at the time of donation, which are not related to patient care.
3. Lines 12, 14, 16, 18, 20 - Accumulated Depreciation. The amounts in column 2 shall be the adjustment necessary to reflect accumulated depreciation on

the straight-line method to the effective date of entry into this reimbursement program and amounts claimed thereafter, and shall also be adjusted for disposals and amounts of accumulated depreciation on assets not related to patient care. Assets not related to patient care are removed on lines 11, 13, 15, 17, and 19, respectively.

4. LINE 22 - INVESTMENTS. Investments includable in the equity capital balance sheet in column 3 are limited to those related to patient care. Primarily, these are temporary investments of excess operating funds. Operating funds invested for long periods of time would be considered excess and not related to patient care needs and should accordingly be removed in column 2.
5. LINE 25 - OTHER ASSETS. Examples of items which may be in this asset category and their treatment for equity capital purposes follow.